



PUENTE Learning Center
Audited Financial Statements
As of and for the Year Ended June 30, 2021
with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PUENTE Learning Center
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of PUENTE Learning Center (the Center), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The accompanying supplementary information listed in the table of contents, required by the Education Audit Appeals Panel's *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and the *CDE Audit Guide* issued by the California Department of Education, is presented for purposes of additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California
November 11, 2021

PUENTE Learning Center
Statements of Financial Position
June 30, 2021 and 2020

| ASSETS | 2021 | 2020 |
|--|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 809,066 | \$ 1,207,416 |
| Short-term investments | 20,261,986 | 14,913,121 |
| Accounts receivable, net | 821,421 | 331,140 |
| Contributions receivable, net | 747,485 | 521,457 |
| Prepaid expenses and other assets | 79,048 | 87,640 |
| Total Current Assets | 22,719,006 | 17,060,774 |
| Land, building and equipment, net | 6,818,336 | 6,913,398 |
| Cash surrender value of life insurance | 28,509 | 27,088 |
| TOTAL ASSETS | \$ 29,565,851 | \$ 24,001,260 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 311,105 | \$ 266,949 |
| Paycheck Protection Program loan | - | 416,790 |
| Total Current Liabilities | 311,105 | 683,739 |
| Net assets | | |
| Without donor restrictions | | |
| Board designated (capital expansion) | 2,909,831 | 2,909,831 |
| Undesignated | 13,871,671 | 9,366,516 |
| Total net assets without donor restrictions | 16,781,502 | 12,276,347 |
| With donor restrictions | | |
| Purpose restricted | 5,711,712 | 4,279,642 |
| Perpetual in nature | 6,761,532 | 6,761,532 |
| Total net assets with donor restrictions | 12,473,244 | 11,041,174 |
| Total net assets | 29,254,746 | 23,317,521 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 29,565,851 | \$ 24,001,260 |

See notes to the financial statements.

PUENTE Learning Center
Statements of Activities
For the Year Ended June 30, 2021
(With comparative totals for 2020)

| | 2021 | | | 2020 |
|--|---------------------------------------|------------------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating revenue | | | | |
| Contributions and grants | \$ 754,528 | \$ 799,116 | \$ 1,553,644 | \$ 1,419,386 |
| California State Preschool Program contract | 235,431 | - | 235,431 | 99,984 |
| Fees revenue | - | - | - | 4,489 |
| Special events | - | - | - | 58,646 |
| Charter School | 2,700,034 | 46 | 2,700,080 | 1,993,052 |
| Other revenues | 15,936 | 15,763 | 31,699 | 40,969 |
| Net assets release from restrictions | | | | |
| Satisfaction of program restrictions | 1,444,302 | (1,444,302) | - | - |
| Total operating revenue | 5,150,231 | (629,377) | 4,520,854 | 3,616,526 |
| Operating expenses and losses | | | | |
| Programs and educational | 4,698,095 | - | 4,698,095 | 4,174,164 |
| Management and general | 364,070 | - | 364,070 | 483,306 |
| Fundraising | 195,351 | - | 195,351 | 251,096 |
| Total operating expenses | 5,257,516 | - | 5,257,516 | 4,908,566 |
| Change in net assets from operations | (107,285) | (629,377) | (736,662) | (1,292,040) |
| (Other items considered to be nonoperating) | | | | |
| Investment return (loss), net | 4,189,255 | 2,061,447 | 6,250,702 | (1,386,538) |
| Interest income | 2,067 | - | 2,067 | 3,091 |
| Paycheck Protection Program loan forgiveness | 421,118 | - | 421,118 | - |
| Change in net assets | 4,505,155 | 1,432,070 | 5,937,225 | (2,675,487) |
| Net assets at the beginning of year | 12,276,347 | 11,041,174 | 23,317,521 | 25,993,008 |
| Net assets at end of year | \$ 16,781,502 | \$ 12,473,244 | \$ 29,254,746 | \$ 23,317,521 |

See notes to financial statements.

PUENTE Learning Center
Statements of Functional Expenses
For the Year Ended June 30, 2021
(With comparative totals for 2020)

| | 2021 | | | | | | 2020 | |
|----------------------------------|---------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|---------------------|
| | Program | Charter School | Total Program Expenses | Management and General | Fundraising | Total Supporting Services | Total Expenses | Total Expenses |
| Salaries | \$ 863,914 | \$ 1,387,549 | \$ 2,251,463 | \$ 123,231 | \$ 84,511 | \$ 207,742 | \$ 2,459,205 | \$ 2,298,695 |
| Payroll taxes | 62,445 | 98,921 | 161,366 | 8,672 | 5,860 | 14,532 | 175,898 | 162,750 |
| Employee benefits | 105,054 | 175,848 | 280,902 | 12,834 | 11,978 | 24,812 | 305,714 | 270,261 |
| Total personnel costs | 1,031,413 | 1,662,318 | 2,693,731 | 144,737 | 102,349 | 247,086 | 2,940,817 | 2,731,706 |
| Depreciation | 432,771 | 20,127 | 452,898 | 129,875 | 47,306 | 177,181 | 630,079 | 600,771 |
| Professional services | 214,411 | 440,191 | 654,602 | 16,376 | 18,978 | 35,354 | 689,956 | 675,727 |
| Donated materials and services | 477,345 | - | 477,345 | 689 | 10,237 | 10,926 | 488,271 | 396,068 |
| Insurance | 51,896 | 75,409 | 127,305 | 7,880 | 4,579 | 12,459 | 139,764 | 102,186 |
| Utilities | 28,257 | 39,898 | 68,155 | 5,275 | 2,706 | 7,981 | 76,136 | 95,103 |
| Building lease | (212,688) | 212,688 | - | 6,188 | - | 6,188 | 6,188 | 5,162 |
| Other | 3,112 | - | 3,112 | 876 | 340 | 1,216 | 4,328 | 487 |
| Equipment rental and maintenance | 3,596 | 17,581 | 21,177 | 22,365 | 369 | 22,734 | 43,911 | 46,013 |
| Office supplies and expense | 12,491 | 25,356 | 37,847 | 8,231 | 760 | 8,991 | 46,838 | 54,635 |
| Textbooks | 459 | 7,748 | 8,207 | - | - | - | 8,207 | 26,541 |
| Telephone | 9,209 | 13,312 | 22,521 | 1,414 | 884 | 2,298 | 24,819 | 19,336 |
| Dues and subscriptions | 16,800 | 24,036 | 40,836 | 4,388 | 6,556 | 10,944 | 51,780 | 95,055 |
| Travel | 1,594 | 560 | 2,154 | 43 | 39 | 82 | 2,236 | 7,212 |
| Training and workshops | 16,068 | 7,119 | 23,187 | 1,004 | 248 | 1,252 | 24,439 | 20,563 |
| Doubtful accounts expense | 13,072 | 48,060 | 61,132 | 14,090 | - | 14,090 | 75,222 | 27,944 |
| Property taxes | 429 | 3,457 | 3,886 | 639 | - | 639 | 4,525 | 4,057 |
| Total functional expenses | \$ 2,100,235 | \$ 2,597,860 | \$ 4,698,095 | \$ 364,070 | \$ 195,351 | \$ 559,421 | \$ 5,257,516 | \$ 4,908,566 |

See notes to the financial statements.

PUENTE Learning Center
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

| | Years ended June 30, | |
|---|-----------------------------|---------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Change in total net assets | \$ 5,937,225 | \$ (2,675,487) |
| Adjustments to reconcile change in net assets to net cash (used) in operating activities: | | |
| Depreciation | 630,079 | 600,771 |
| Loss on disposal of equipment | - | 32,876 |
| Net unrealized loss (gain) on investments | (6,152,331) | 1,530,510 |
| (Gain) from Paycheck Protection Program loan forgiveness | (421,118) | - |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (226,028) | (7,987) |
| Accounts receivable | (490,281) | (216,990) |
| Prepaid and other assets | 7,171 | (52,276) |
| Accounts payable and accrued liabilities | 48,484 | 100,950 |
| Deferred revenue | - | (8,834) |
| Net cash (used) in operating activities | (666,799) | (696,467) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (535,017) | (560,638) |
| Proceeds from sale of investments | 900,000 | 1,070,000 |
| Reinvested interest and dividends | (96,534) | (143,972) |
| Net cash provided by investing activities | 268,449 | 365,390 |
| Cash flows from financing activities: | | |
| Proceeds from Paycheck Protection Program loan | - | 416,790 |
| Net cash provided by financing activities | - | 416,790 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (398,350) | 85,713 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 1,207,416 | 1,121,703 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 809,066 | \$ 1,207,416 |

See notes to financial statements.

(1) ORGANIZATION

PUENTE Learning Center (the Center) is a not-for-profit, tax-exempt, community based organization founded in 1985 and incorporated in 1989. The Center's mission is stated within its name: People United to Enrich the Neighborhood Through Education. "Puente" is also the Spanish word for "bridge." The Center offers a bridge to opportunity by addressing barriers that prevent individuals from building strong educational foundations and achieving self-sufficiency for themselves, their families, and their communities. Celebrating its 30th anniversary in 2015, the Center has provided a respectful, safe learning environment that welcomes all members of the community, regardless of age, educational background, or economic circumstances.

The campus, located in Boyle Heights, offers tuition-free classes. In its over 30 years in service to the community, approximately 100,000 students have benefited from PUENTE's programs, which include:

- Preschool Readiness
- Charter Kindergarten
- Summer Intensive Reading
- After School Enrichment
- College Access
- English as a Second Language
- Adult High School Diploma
- High School Intensive Reading
- High School Credit Recovery
- Computer Applications
- Computer Repair/A+ Certification Preparation
- Veterans Job Training

Limited educational opportunities and widespread poverty profoundly affect the vitality of the neighborhoods the Center serves. These communities have a particularly urgent need for English-language instruction and supplementary educational activities, combined with job training programs that focus on specific workforce needs. Offering a blend of traditional classroom instruction and current computer technology, the Center is a vibrant resource for neighborhood empowerment and opportunity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The Center recognizes contributions as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended June 30, 2021 and 2020, certain of the Center's net assets are classified as restricted. These amounts represent contributions that are limited in use in accordance with donor-imposed stipulations.

(Continued)

b) Summarized Financial Information

The financial statements include certain prior-year summarized financial information in total but not by net assets category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information is included for informational purposes only and should be read in conjunction with the Center's June 30, 2020 financial statements from which the summarized information was derived.

c) Net Assets

The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. These generally result from revenues generated by receiving unrestricted contributions, providing services, receiving rental income and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. At June 30, 2021 and 2020, the Center had \$2,909,831 that the Board of Directors has designated to be used for capital expansion.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Center's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in-service.

The Center's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Center's donor-restricted endowment funds that the Center is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(Continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying values of cash and cash equivalents at June 30, 2021 and 2020 approximate their fair values.

The Center maintains its cash and cash equivalents in bank accounts and other investment accounts, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

e) Investments

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulations or by law.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Center's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed by outside investment managers contracted by the Center. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

f) Land, Building and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

| | |
|-------------------------|-------------|
| Buildings | 30 Years |
| Furniture and Equipment | 3 – 8 Years |
| Software | 5 Years |

Expenditures for repairs and maintenance are charged to operations when incurred, while major renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

(Continued)

g) Long-Lived Assets

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2021 and 2020.

h) Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due.

i) Contributions and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

j) Net Assets Restricted to Purchase Property and Equipment

Net assets restricted to purchase property and equipment has been restricted by donors and is not available for operating purposes.

k) Revenue and Revenue Recognition

Revenue is recognized when earned as performance obligations are satisfied. The Center receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Center's federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense.

(Continued)

l) Contributed Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The Los Angeles Unified School District provides teachers and administrative support to the Center at no cost.

Contributed goods and services received by the Center during the years ended June 30, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-------------------|-------------------|
| Teachers and administrative support | \$ 467,107 | \$ 384,648 |
| Direct donor benefit expense | 10,926 | 11,420 |
| Donated piano | - | 30,000 |
| | <u>\$ 478,033</u> | <u>\$ 426,068</u> |

m) Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and services benefited by a method that best measures the relative degree of benefits. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as indirect costs, which are allocated on a square footage basis.

The statement of functional expenses includes payments made by the Charter School Programs to the Center as lease payments for the building space occupied by the Charter School. These payments eliminate at the entity level.

n) Tax-Exempt Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

o) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

p) Date of Management's Review

Management has evaluated subsequent events through November 11, 2021, the date the financial statements were available to be issued.

(Continued)

q) Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (ASC 606) and followed by several updates. This new standard includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Center adopted this guidance for the year ended June 30, 2021. The adoption of this guidance had no significant impact on how the Center accounts for its activities.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 to improve financial reporting about leasing transactions. The ASU affects all organizations that lease assets such as real estate and equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. In June 2020, FASB issued ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Date for Certain Entities to extend the effective date for the adoption of the accounting standards. The new standard for 2016-02 Leases become effective for fiscal years beginning after December 15, 2021. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(3) LIQUIDITY AND AVAILABILITY

The Center's financial assets available to meet cash needs for general expenditures within one year of the date of the statements of financial position include:

| | 2021 | 2020 |
|-----------------------------|----------------------------|----------------------------|
| Cash | \$ 809,066 | \$ 1,207,416 |
| Accounts receivable | 821,421 | 331,140 |
| Other financial assets, net | 5,754,031 | 1,785,440 |
| Available financial assets | <u>\$ 7,384,518</u> | <u>\$ 3,323,996</u> |

As part of the Center' liquidity management, it has a policy to structure its financials assets to be available as its general expenditures, liabilities, and other obligations became due. The Center invests cash in excess of daily requirements in investment pools and money market funds.

(4) INVESTMENTS

The Center has implemented the fair value measurement accounting standard, which defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Center's assets that are measured at fair value on a recurring basis at June 30, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| FY 2020-21 | | | | |
|-------------------------------|-----------------------------|---|--|--|
| Fair Value Measurements Using | | | | |
| | Year ended June 30, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Common Stock | \$ 14,651,035 | \$ 14,651,035 | \$ - | \$ - |
| Bond funds | \$ 3,053,309 | 3,053,309 | - | - |
| Equity mutual funds | \$ 2,557,642 | 2,557,642 | - | - |
| | <u>\$ 20,261,986</u> | <u>\$ 20,261,986</u> | <u>\$ -</u> | <u>\$ -</u> |
| FY 2019-20 | | | | |
| Fair Value Measurements Using | | | | |
| | Year ended June 30, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Common Stock | \$ 9,355,500 | \$ 9,355,500 | \$ - | \$ - |
| Bond funds | 3,115,765 | 3,115,765 | - | - |
| Equity mutual funds | 2,441,856 | 2,441,856 | - | - |
| | <u>\$ 14,913,121</u> | <u>\$ 14,913,121</u> | <u>\$ -</u> | <u>\$ -</u> |

The fair values of the marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

(Continued)

PUENTE Learning Center
Notes to Financial Statements
As of and for the Years Ended June 30, 2021 and 2020

Investment income for the years ended June 30, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|-------------------------|----------------------------|------------------------------|
| Interest and dividends | \$ 96,534 | \$ 143,972 |
| Unrealized gain /(loss) | 6,152,331 | (1,530,510) |
| | <u>\$ 6,248,865</u> | <u>\$ (1,386,538)</u> |

The Center recognizes transfers at the beginning of each reporting period. Transfers between level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the years ended June 30, 2021 and 2020.

(5) LAND, BUILDING AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|--------------------------------|----------------------------|----------------------------|
| Land | \$ 2,403,954 | \$ 2,403,954 |
| Building | 10,403,819 | 10,327,911 |
| Software | 857,584 | 857,584 |
| Furniture and equipment | 897,196 | 752,822 |
| Asset work in progress | 989,969 | 675,233 |
| | <u>15,552,522</u> | <u>15,017,504</u> |
| Less: Accumulated depreciation | (8,734,186) | (8,104,106) |
| | <u>\$ 6,818,336</u> | <u>\$ 6,913,398</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$630,079 and \$600,771, respectively.

(6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|------------------|--------------------------|--------------------------|
| Accrued vacation | \$ 130,721 | \$ 97,474 |
| Accrued payroll | 27,665 | 115,025 |
| Accrued other | 152,719 | 54,450 |
| | <u>\$ 311,105</u> | <u>\$ 266,949</u> |

(7) PAYCHECK PROTECTION PROGRAM LOAN

On April 27, 2020, the Center was granted a loan in the amount of \$416,790, pursuant to the Paycheck Protection Program (PPP) under the CARES Act. The loan matures on April 27, 2022, bears interest at a rate of 1% per year, and is payable monthly starting in November 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for qualifying expenses as described in the CARES Act. The loan including accrued interest was fully forgiven during the year ended June 30, 2021.

(8) CHARTER SCHOOL REVENUES

Charter School revenues for the years ended June 30, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| State LCFF | 1,154,444 | \$ 1,123,704 |
| State Education Protection Act | 403,578 | 120,307 |
| Lottery | 35,424 | 24,252 |
| Other State revenue | 185,299 | 74,915 |
| Special education revenue | 154,579 | 132,173 |
| Local payment in lieu of property tax | 543,502 | 430,406 |
| Other Federal income | 223,208 | 65,685 |
| | <u>\$ 2,700,034</u> | <u>\$ 1,971,442</u> |

(9) GRANTS AND CONTRACTS

The Center's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Center has no provision for the possible disallowance of program costs in its financial statements.

(10) ENDOWMENTS

The Center's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to either provide a permanent endowment, which is to provide a permanent source of income to the Center, or a term endowment, which is to provide income for a specified period to the Center.

The Center's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Center's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Performance of the overall endowment against this objective is measured over an investment horizon of five to seven years. The endowments are also managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Center's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested. The Center has adopted a flexible spending policy for its endowment and elected to spend 5% of the last three years average of the fair value of these investments in the current year.

(Continued)

PUENTE Learning Center
Notes to Financial Statements
As of and for the Years Ended June 30, 2021 and 2020

The goal of the spending policy is to better identify potential income generated from endowment and long-term investment, and to minimize the probability of eroding the principal over the long term. At June 30, 2021 and 2020, the Center's endowment net assets were \$11,548,473 and \$10,362,146, respectively.

| | Purpose Restricted | Perpetual in Nature | Total |
|---|-------------------------------|--------------------------------|-----------------------------|
| Changes in endowment net assets for the year ended June 30, 2021 | | | |
| Endowment net assets - beginning of year | \$ 3,600,614 | \$ 6,761,532 | \$ 10,362,146 |
| Net realized and unrealized gain | 2,061,447 | - | 2,061,447 |
| Appropriation of endowment assets for expenditure | (875,120) | - | (875,120) |
| Endowment net assets | <u>\$ 4,786,941</u> | <u>\$ 6,761,532</u> | <u>\$ 11,548,473</u> |
| | Purpose Restricted | Perpetual in Nature | Total |
| Changes in endowment net assets for the year ended June 30, 2020 | | | |
| Endowment net assets - beginning of year | \$ 5,052,334 | \$ 6,761,532 | \$ 11,813,866 |
| Net realized and unrealized (loss) | (628,396) | - | (628,396) |
| Appropriation of endowment assets for expenditure | (823,324) | - | (823,324) |
| Endowment net assets | <u>\$ 3,600,614</u> | <u>\$ 6,761,532</u> | <u>\$ 10,362,146</u> |

(11) INCOME TAXES

Generally accepted accounting principles requires the Center to recognize and record the financial impact of uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. It also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires additional disclosures. At June 30, 2021 and 2020, the Center did not recognize any uncertain tax position.

The Center's federal and state income tax returns for 2017 and subsequent years are subject to examination by the regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively. No open tax years are currently under examination.

(12) RETIREMENT PLAN

The Center sponsors a defined contribution retirement plan and a tax-deferred annuity plan [under Internal Revenue Code Section 403(b)] administered by TIAA/CREF (Teachers Insurance Annuity Association/College Retirement Equities Fund) investing in deferred group annuities. Money is contributed to TIAA/CREF and deposited in investment categories consistent with each participant's direction. Employees are eligible to participate in the defined contribution retirement plan after two years of service and in the tax-deferred annuity plan after three months of employment. The Center contributes 5% of each eligible participant's salary to the defined contribution retirement plan. For the years ended June 30, 2021 and 2020, the Center's contributions were \$50,698 and \$49,653, respectively.

(13) COMMITMENTS AND CONTINGENCIES

Regulatory and Compliance Reviews

As a tax exempt organization, the Center is subject to regulatory and compliance reviews by granting agencies and regulatory bodies at the local, state and federal level. Management believes that there are no matters as of the date of this report that would result in a material impact to the financial statements or jeopardize the tax-exempt status of the Center.

Charter School Programs

The Charter School Programs have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

COVID-19

In March 2020, the World Health Organization declared a global pandemic in response to an outbreak of a novel coronavirus (COVID-19). The full extent to which the coronavirus may impact the Center's results of operations, liquidity or financial position is uncertain. Management continues to monitor the impact that the COVID-19 pandemic is having on the Center and the industry in which it operates. However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the Center cannot reasonably estimate the magnitude of the impact to its results of operations.

SUPPLEMENTARY INFORMATION
Charter School Programs

PUENTE Learning Center
Statements of Financial Position
Charter School Programs
June 30, 2021 and 2020

| ASSETS | 2021 | 2020 |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 351,345 | \$ 741,774 |
| Accounts receivable, net | 644,197 | 222,849 |
| Contributions receivable, net | 484,151 | 491,740 |
| Total Current Assets | 1,479,693 | 1,456,363 |
| Building and equipment, net | 497,289 | 355,070 |
| TOTAL ASSETS | \$ 1,976,982 | \$ 1,811,433 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Due to other programs to the Center | \$ 270,800 | \$ 210,928 |
| Total Current Liabilities | 270,800 | 210,928 |
| Net assets | | |
| Without donor restrictions | 1,206,046 | 1,100,415 |
| With donor restrictions | 500,136 | 500,090 |
| Total Net Assets | 1,706,182 | 1,600,505 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,976,982 | \$ 1,811,433 |

PUENTE Learning Center
Statements of Activities
Charter School Programs
For the Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Changes in net assets without donor restrictions | | |
| Revenue | | |
| State LCFF, lottery, and other | \$ 1,778,745 | \$ 1,343,178 |
| Special education revenue | 154,579 | 132,173 |
| Local property tax | 543,502 | 430,406 |
| Other federal income | 223,208 | 65,685 |
| Total revenues without donor restrictions | 2,700,034 | 1,971,442 |
| Net assets released from restrictions | | |
| Satisfaction of program restrictions | - | 150,238 |
| Total net assets released from restrictions | - | 150,238 |
| Total revenues without donor restrictions | 2,700,034 | 2,121,680 |
| and net assets released from restrictions | | |
| Expenses | | |
| Program expenses: | | |
| Personnel costs: | | |
| Salaries | 1,387,549 | 1,010,293 |
| Payroll taxes | 98,921 | 78,072 |
| Employee benefits | 175,848 | 133,632 |
| Total personnel costs | 1,662,318 | 1,221,997 |
| Building lease | 212,688 | 173,904 |
| Depreciation | 20,127 | 6,536 |
| Dues and subscriptions | 24,036 | 40,257 |
| Equipment rental and maintenance | 17,581 | 10,515 |
| Insurance | 75,409 | 26,314 |
| Office supplies and expenses | 25,356 | 26,218 |
| Other | - | 126 |
| Professional services | 440,191 | 370,724 |
| Telephone | 13,312 | 8,639 |
| Textbooks | 7,748 | 26,477 |
| Training and workshops | 7,119 | 1,869 |
| Travel | 560 | 1,187 |
| Utilities | 39,898 | 40,336 |
| Doubtful accounts expense | 48,060 | 21,648 |
| Property taxes | - | 1,866 |
| Total operating expenses | 932,085 | 756,616 |
| Total expenses | 2,594,403 | 1,978,613 |
| Change in net assets without donor restrictions | 105,631 | 143,067 |
| Changes in net assets with donor restrictions | | |
| Contributions | 46 | 21,610 |
| Donations - grants for facility | - | - |
| Net assets released from restrictions | - | (150,238) |
| Change in net assets with donor restrictions | 46 | (128,628) |
| Change in total net assets | 105,677 | 14,439 |
| Net assets at the beginning of year | 1,600,505 | 1,586,066 |
| Net assets at end of year | \$ 1,706,182 | \$ 1,600,505 |

**PUENTE Learning Center
Statements of Cash Flows
Charter School Programs
For the Years Ended June 30, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in total net assets | \$ 105,677 | \$ 14,439 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 20,127 | 6,536 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (421,348) | (108,699) |
| Contributions receivable | 7,589 | (2,247) |
| Due to other programs to the Center | 59,872 | 83,431 |
| Net cash (used) provided by operating activities | (228,083) | (6,540) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (162,346) | (148,698) |
| Net cash (used) in investing activities | (162,346) | (148,698) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (390,429) | (155,238) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 741,774 | 897,012 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 351,345 | \$ 741,774 |

**PUENTE Learning Center
Charter School Organization Structure
For the Year Ended June 30, 2021**

a) Date and Granting Authority of Charter School: August 2002 (Initial)
March 2017 (Renewal)
April 2018 (Revision)
Los Angeles Unified School District

b) Members of the Governing Board:

| <u>Name</u> | <u>Title</u> | <u>Board Term</u> | <u>Term Expiration</u> |
|-----------------------|---------------|-------------------|------------------------|
| Chun Wong | Chairman | 3 years | June 2021 |
| Tyler M.P. Sutherland | Vice Chairman | 3 years | June 2022 |
| Jocelyn Rocenwald | Treasurer | 3 years | June 2023 |
| Oscar Cabrales | Secretary | 3 years | June 2021 |
| Lara Lightbody | Member | 3 years | June 2023 |
| Albert Reyes | Member | 3 years | June 2023 |
| Greg Gonzalez | Member | 3 years | June 2023 |
| Daniel Arguello | Member | 3 years | June 2021 |

c) Superintendent: Jerome Greening

d) Charter School Name: PUENTE Charter School
Charter School Number: 473

PUENTE Learning Center
Schedule of Average Daily Attendance – Classroom Based
For the Year Ended June 30, 2021

| <u>Grade</u> | <u>ADA Second Period Report</u> | <u>ADA Annual Report</u> |
|--------------------------|--|-------------------------------------|
| Kindergarten – 3rd grade | 185.3 | 185.3 |

**PUENTE Learning Center
Schedule of Instructional Time
For the Year Ended June 30, 2021**

| Grade | Minutes Provided | Minutes Required | Instructional Days | Status |
|--------------|-----------------------------|-----------------------------|-------------------------------|---------------|
| Kindergarten | 58,650 | 36,000 | 180 | In Compliance |
| 1st Grade | 58,650 | 50,400 | 180 | In Compliance |
| 2nd Grade | 58,650 | 50,400 | 180 | In Compliance |
| 3rd Grade | 58,650 | 50,400 | 180 | In Compliance |

PUENTE Learning Center
Reconciliation of Annual Financial Report with Audited Financial Statements
Charter School Programs
For the Year Ended June 30, 2021

Summarized below are the Charter School Programs net assets reconciliations between the Unaudited Annual Financial Report and the audited financial statements.

| | |
|---|---------------------|
| June 30, 2021 Annual Financial Report | |
| Fund balances (net assets), unaudited | \$ 1,706,412 |
| Adjustments and Reclassification: | |
| Increasing (decreasing) the fund balance (net assets) | |
| Cash | 1,500 |
| Accounts Receivable | 13,404 |
| Accounts Payable | <u>(15,134)</u> |
| Net Adjustments and Reclassifications | <u>(230)</u> |
| June 30, 2021 Annual Financial Statement | |
| Fund balances (net assets), audited | <u>\$ 1,706,182</u> |

SUPPLEMENTARY INFORMATION
Child Care and Development Programs

PUENTE Learning Center
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| <u>Grantor</u> | <u>Grantor's Number</u> | <u>Award Amount State</u> | <u>Expenditures State</u> |
|---|-----------------------------|-------------------------------|-------------------------------|
| Federal (Footnote 1.) | | | |
| California State Preschool Program | CSPP0254 | \$ 235,431 | \$ 235,431 |
| Total Federal and State | | <u><u>\$ 235,431</u></u> | <u><u>\$ 235,431</u></u> |

Footnote 1. Basis of Presentation

The *Schedule of Expenditures of Federal and State Awards* includes the expenditures of federal and state awards of PUENTE Learning Center (the Center). Expenditures are presented on the accrual basis of accounting. The Center did not receive federal awards and incur total federal expenditures in excess of \$750,000 for the year ended June 30, 2021. Therefore, no federal information is presented in this schedule. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

PUENTE Learning Center
Combining Statement of Activities
For the Year Ended June 30, 2021

| | 2021 | | | |
|--|---------------------|-----------------------------------|----------------------------|---------------------|
| | CSPP0254 | Total CDE CD Contracts | Non-CD Programs | Total |
| Operating revenue | | | | |
| Contributions and grants | \$ 45,946 | \$ 45,946 | \$ 1,507,698 | \$ 1,553,644 |
| California State Preschool Program contract | 235,431 | 235,431 | - | 235,431 |
| Fees revenue | - | - | - | - |
| Special events | - | - | - | - |
| Charter School | - | - | 2,700,080 | 2,700,080 |
| Other revenues | - | - | 31,699 | 31,699 |
| Total operating revenue | 281,377 | 281,377 | 4,239,477 | 4,520,854 |
| Operating expenses and losses | | | | |
| Salaries | 270,707 | 270,707 | 2,188,498 | 2,459,205 |
| Payroll taxes | 19,780 | 19,780 | 156,118 | 175,898 |
| Employee benefits | 29,185 | 29,185 | 276,529 | 305,714 |
| Depreciation | 76,869 | 76,869 | 553,210 | 630,079 |
| Professional services | 33,691 | 33,691 | 656,265 | 689,956 |
| Donated materials and services | - | - | 488,271 | 488,271 |
| Insurance | 12,797 | 12,797 | 126,967 | 139,764 |
| Utilities | 8,393 | 8,393 | 67,743 | 76,136 |
| Building lease | - | - | 6,188 | 6,188 |
| Other | - | - | 4,328 | 4,328 |
| Equipment rental and maintenance | 1,363 | 1,363 | 42,548 | 43,911 |
| Office supplies and expense | 8,288 | 8,288 | 38,550 | 46,838 |
| Textbooks | 203 | 203 | 8,004 | 8,207 |
| Telephone | 2,739 | 2,739 | 22,080 | 24,819 |
| Dues and subscriptions | 4,206 | 4,206 | 47,574 | 51,780 |
| Travel | - | - | 2,236 | 2,236 |
| Training and workshops | 450 | 450 | 23,989 | 24,439 |
| Doubtful accounts expense | - | - | 75,222 | 75,222 |
| Property taxes | 429 | 429 | 4,096 | 4,525 |
| Total operating expenses | 469,100 | 469,100 | 4,788,416 | 5,257,516 |
| Change in net assets from operations | (187,723) | (187,723) | (548,939) | (736,662) |
| (Other items considered to be nonoperating) | | | | |
| Investment return (loss), net | - | - | 6,250,702 | 6,250,702 |
| Interest income | - | - | 2,067 | 2,067 |
| Paycheck Protection Program loan forgiveness | - | - | 421,118 | 421,118 |
| Change in net assets | \$ (187,723) | \$ (187,723) | \$ 5,703,830 | \$ 5,937,225 |

PUENTE Learning Center
Schedule of Expenditures by State Categories
For the Year Ended June 30, 2021

| | 2021 | |
|--|-------------------|-----------------------------------|
| | CSPP0254 | Total CDE CD Contracts |
| Expenditures | | |
| 1000 Certificated salaries | \$ 199,690 | \$ 199,690 |
| 2000 Classified salaries | 73,140 | 73,140 |
| 3000 Employee benefits | 29,185 | 29,185 |
| 4000 Books and supplies | 8,247 | 8,247 |
| 5000 Services and other operating expenses | 60,520 | 60,520 |
| 6100/6200 Other approved capital outlay | - | - |
| 6400 New equipment | - | - |
| 6500 Replacement equipment | - | - |
| Depreciation on assets not purchased with public funds | 76,869 | 76,869 |
| Start-up expenses - service level exemption | - | - |
| Budget impasse credit expenses - service level exemption | - | - |
| Indirect costs | 17,657 | 17,657 |
| Total expenses claimed for reimbursement | 465,308 | 465,308 |
| Total supplemental expenses | 20,561 | 20,561 |
| Total Expenditures | \$ 485,869 | \$ 485,869 |

PUENTE Learning Center
Reconciliation of Child Care and Development Programs and GAAP Expense Reporting
For the Year Ended June 30, 2021

| | 2021 | |
|---|--------------------------|-----------------------------------|
| | <u>CSPP0254</u> | <u>Total CDE CD Contracts</u> |
| Schedule of Expenditures by State Categories | \$ 485,869 | \$ 485,869 |
| Adjustments to Reconcile Differences in Reporting: | | |
| Capitalized equipment expensed on supplemental AUD form | (16,769) | (16,769) |
| Subtotal | <u>(16,769)</u> | <u>(16,769)</u> |
| Combining Statement of Activities (GAAP) | <u><u>\$ 469,100</u></u> | <u><u>\$ 469,100</u></u> |

PUENTE Learning Center
Schedule of Claimed Equipment Expenditures
For the Year Ended June 30, 2021

| | | 2021 | |
|---|--------------------------------------|-----------------------------|--------------|
| | CDE CD Contracts CSPP0254 | Non-CDE Programs | Total |
| Capitalized Equipment Expensed on the AUD With Prior Written Approval | | | |
| None | \$ - | - | \$ - |
| Subtotal | - | - | - |
| Capitalized Equipment Expensed on the AUD Without Prior Written Approval | | | |
| None | - | - | - |
| Subtotal | - | - | - |
| Total | \$ - | \$ - | \$ - |

Note: PUENTE Learning Center's capitalization threshold is \$5,000.

PUENTE Learning Center
Schedule of Claimed Expenditures for Renovations and Repairs
For the Year Ended June 30, 2021

| | | 2021 | |
|---|-----------------------------------|-----------------------------|--------------|
| | CDE Contracts CSPP0254 | Non-CDE Programs | Total |
| <u>Unit Cost Under \$10,000 Per Item</u> | | | |
| None | \$ - | \$ - | \$ - |
| Subtotal | - | - | - |
| <u>Unit Cost \$10,000 or More Per Item With Prior Approval</u> | | | |
| None | - | - | - |
| Subtotal | - | - | - |
| <u>Unit Cost \$10,000 or More Per Item Without Prior Approval</u> | | | |
| None | - | - | - |
| Subtotal | - | - | - |
| Total | \$ - | \$ - | \$ - |

Note: PUENTE Learning Center's capitalization threshold is \$5,000.

PUENTE Learning Center
Schedule of Claimed Administrative Costs
For the Year Ended June 30, 2021

| Claimed Administrative Costs | 2021 | |
|---|------------------|---------------------------|
| | CSP0254 | Total CDE CD Contracts |
| Salaries | \$ 13,315 | \$ 13,315 |
| Employee benefits | 1,338 | 1,338 |
| Books and supplies | - | - |
| Services and other operating expenses | 21,581 | 21,581 |
| Depreciation on non-CDE-funded assets used in program | - | - |
| Indirect costs | 17,657 | 17,657 |
| Total expenses claimed for reimbursement | 53,891 | 53,891 |
| Total supplemental expenses | - | - |
| Total Expenditures | \$ 53,891 | \$ 53,891 |

In accordance with the applicable requirements from the Funding Terms & Conditions:

1. Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed to a child development contract for the year ended June 30, 2021.
2. All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related party rent expense was claimed to a child development contract for the year ended June 30, 2021.
3. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2021.

California Department of Education

Audited Attendance and Fiscal Report for California State Preschool Programs

A U D 8501 Page 1 of 8

Fiscal Year Ending **June 30, 2021**

Contract Number **CSPP-0254**

Vendor Code **C0473**

Full Name of Contractor **PUENTE Learning Center**

Section 1 - Days of Enrollment Certified Children

| Enrollment Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|--|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| Three Years and Older Full-time-plus | | | | 1.1800 | 0 |
| Three Years and Older Full-time | | | | 1.0000 | 0 |
| Three Years and Older Three-quarters-time | | | | 0.7500 | 0 |
| Three Years and Older One-half-time | 4,781 | | 4,781 | 0.6193 | 2,960.8733 |
| Exceptional Needs Full-time-plus | | | | 1.8172 | 0 |
| Exceptional Needs Full-time | | | | 1.5400 | 0 |
| Exceptional Needs Three-quarters-time | | | | 1.1550 | 0 |
| Exceptional Needs One-half-time | | | | 0.9537 | 0 |
| Limited and Non-English Proficient Full-time-plus | | | | 1.2980 | 0 |
| Limited and Non-English Proficient Full-time | | | | 1.1000 | 0 |
| Limited and Non-English Proficient Three-quarters-time | | | | 0.8250 | 0 |
| Limited and Non-English Proficient One-half-time | 2,197 | | 2,197 | 0.6193 | 1,360.6021 |

Full Name of Contractor

PUENTE Learning Center

Section 1 - Days of Enrollment Certified Children (continued)

| Enrollment Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| At Risk of Abuse or Neglect Full-time-plus | | | | 1.2980 | 0 |
| At Risk of Abuse or Neglect Full-time | | | | 1.1000 | 0 |
| At Risk of Abuse or Neglect Three-quarters-time | | | | 0.8250 | 0 |
| At Risk of Abuse or Neglect One-half-time | | | | 0.6193 | 0 |
| Severely Disabled Full-time-plus | | | | 2.2774 | 0 |
| Severely Disabled Full-time | | | | 1.9300 | 0 |
| Severely Disabled Three-quarters-time | | | | 1.4475 | 0 |
| Severely Disabled One-half-time | | | | 1.1952 | 0 |
| TOTAL DAYS OF ENROLLMENT | 6,978 | | 6,978 | N/A | 4,321.4754 |
| DAYS OF OPERATION | 182 | | 182 | N/A | N/A |
| DAYS OF ATTENDANCE | 426 | | 426 | N/A | N/A |

☒ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor **PUENTE Learning Center****Section 2 - Days of Enrollment Non-Certified Children**

| Enrollment Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| Toddlers (18 up to 36 months) Full-time-plus | | | | 2.1240 | 0 |
| Toddlers (18 up to 36 months) Full-time | | | | 1.8000 | 0 |
| Toddlers (18 up to 36 months) Three-quarters-time | | | | 1.3500 | 0 |
| Toddlers (18 up to 36 months) One-half-time | | | | 0.9900 | 0 |
| Three Years and Older Full-time-plus | | | | 1.1800 | 0 |
| Three Years and Older Full-time | | | | 1.0000 | 0 |
| Three Years and Older Three-quarters-time | | | | 0.7500 | 0 |
| Three Years and Older One-half-time | | | | 0.6193 | 0 |
| Exceptional Needs Full-time-plus | | | | 1.8172 | 0 |
| Exceptional Needs Full-time | | | | 1.5400 | 0 |
| Exceptional Needs Three-quarters-time | | | | 1.1550 | 0 |
| Exceptional Needs One-half-time | | | | 0.9537 | 0 |

Full Name of Contractor **PUENTE Learning Center****Section 2 - Days of Enrollment Non-Certified Children (continued)**

| Enrollment Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|--|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| Limited and Non-English Proficient Full-time-plus | | | | 1.2980 | 0 |
| Limited and Non-English Proficient Full-time | | | | 1.1000 | 0 |
| Limited and Non-English Proficient Three-quarters-time | | | | 0.8250 | 0 |
| Limited and Non-English Proficient One-half-time | | | | 0.6193 | 0 |
| At Risk of Abuse or Neglect Full-time-plus | | | | 1.2980 | 0 |
| At Risk of Abuse or Neglect Full-time | | | | 1.1000 | 0 |
| At Risk of Abuse or Neglect Three-quarters-time | | | | 0.8250 | 0 |
| At Risk of Abuse or Neglect One-half-time | | | | 0.6193 | 0 |
| Severely Disabled Full-time-plus | | | | 2.2774 | 0 |
| Severely Disabled Full-time | | | | 1.9300 | 0 |
| Severely Disabled Three-quarters-time | | | | 1.4475 | 0 |
| Severely Disabled One-half-time | | | | 1.1952 | 0 |
| TOTAL NON-CERTIFIED DAYS OF ENROLLMENT | | | | N/A | 0 |

Full Name of Contractor **PUENTE Learning Center****Section 3 - Revenue**

| Revenue Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Restricted Income - Child Nutrition Programs | | | |
| Restricted Income - County Maintenance of Effort (EC Section 8279) | | | |
| Restricted Income - Other: Contributions and Grants | 25,385 | | 25,385 |
| Restricted Income - Subtotal | 25,385 | | 25,385 |
| Transfer from Reserve - General | | | |
| Transfer from Reserve - Professional Development | | | |
| Transfer from Reserve Total | | | |
| Waived Family Fees for Certified Children (July - August) | | | |
| Family Fees Collected for Certified Children (September - June) | | | |
| Waived Family Fees for Certified Children (September - June) | | | |
| Family Fees for Certified Children (September - June) - Subtotal | | | |
| Interest Earned on Child Development Apportionment Payments | | | |
| Unrestricted Income - Fees for Non-Certified Children | | | |
| Unrestricted Income - Head Start | | | |
| Unrestricted Income - Other: | | | |
| Total Revenue | 25,385 | | 25,385 |

Comments:

Full Name of Contractor **PUENTE Learning Center****Section 4 - Reimbursable Expenses**

| Expense Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Direct Payments to Providers (FCCH only) | | | |
| 1000 Certificated Salaries | 199,690 | | 199,690 |
| 2000 Classified Salaries | 73,140 | | 73,140 |
| 3000 Employee Benefits | 29,185 | | 29,185 |
| 4000 Books and Supplies | 8,247 | | 8,247 |
| 5000 Services and Other Operating Expenses | 60,520 | | 60,520 |
| 6100/6200 Other Approved Capital Outlay | | | |
| 6400 New Equipment (program-related) | | | |
| 6500 Equipment Replacement (program-related) | | | |
| Depreciation or Use Allowance | 76,869 | | 76,869 |
| Start-up Expenses (service level exemption) | | | |
| Budget Impasse Credit | | | |
| Indirect Costs (include in Total Administrative Cost) | 17,657 | | 17,657 |
| Non-Reimbursable (State use only) | | | |
| Total Reimbursable Expenses | 465,308 | | 465,308 |
| Total Administrative Cost (included in Section 4 above) | 53,891 | | 53,891 |
| Total Staff Training Cost (included in Section 4 above) | | | |

Approved Indirect Cost Rate: **4.8%**☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **PUENTE Learning Center****Section 5 - Supplemental Revenue**

| Supplemental Revenue Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|-----------------------------------|--------------------------------------|----------------------------------|-------------------------------------|
| Enhancement Funding | | | |
| Other: Contributions and grants | 20,561 | | 20,561 |
| Other: | | | |
| Total Supplemental Revenue | 20,561 | | 20,561 |

Section 6 - Supplemental Expenses

| Supplemental Expense Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|--|--------------------------------------|----------------------------------|-------------------------------------|
| 1000 Certificated Salaries | | | |
| 2000 Classified Salaries | | | |
| 3000 Employee Benefits | | | |
| 4000 Books and Supplies | | | |
| 5000 Services and Other Operating Expenses | 3,792 | | 3,792 |
| 6000 Equipment / Capital Outlay | 16,769 | | 16,769 |
| Depreciation or Use Allowance | | | |
| Indirect Costs | | | |
| Non-Reimbursable Supplemental Expenses | | | |
| Total Supplemental Expenses | 20,561 | | 20,561 |

Full Name of Contractor PUENTE Learning Center

Section 7 - Summary

| Summary Category | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Total Certified Days of Enrollment | 6,978 | | 6,978 |
| Days of Operation | 182 | | 182 |
| Days of Attendance | 426 | | 426 |
| Restricted Program Income | 25,385 | | 25,385 |
| Transfer from Reserve | | | |
| Family Fees for Certified Children (September - June) | | | |
| Interest Earned on Apportionment Payments | | | |
| Direct Payments to Providers | | | |
| Start-up Expenses (service level exemption) | | | |
| Total Reimbursable Expenses | 465,308 | | 465,308 |
| Total Administrative Cost | 53,891 | | 53,891 |
| Total Staff Training Cost | | | |

Total Certified Adjusted Days of Enrollment 4,321.4754

Total Non-Certified Adjusted Days of Enrollment 0

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box):

Yes

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Yes

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
PUENTE Learning Center
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of PUENTE Learning Center (the Center), a nonprofit organization, which comprise the statement financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California
November 11, 2021



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
PUENTE Learning Center
Los Angeles, California

Report on State Compliance

We have audited the Puente Learning Center's (the Center) compliance with the requirements as described in the Education Audit Appeals Panel's 2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting for the year ended June 30, 2021. The Center's state programs are identified below.

Management's Responsibility for the Financial Statements

Management is responsible for compliance with state statutes, regulations, and the terms and conditions applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Center's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of the Center's compliance with those requirements.

Opinion on State Compliance

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2021.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Center's compliance with the State laws and regulations applicable to the following items:

| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| Local Education Agencies Other Than Charter Schools (except as stated in A & F) | |
| A. Attendance and Distance Learning | Yes |
| B. Teacher Certification and Misassignments | Not applicable |
| C. Kindergarten Continuance | Not applicable |
| D. (Reserved) | Not applicable |
| E. (Reserved) | Not applicable |
| F. Instructional Time | Yes |
| G. Instructional Materials | Not applicable |
| H. Ratio of Administrative Employees to Teachers | Not applicable |
| I. Classroom Teacher Salaries | Not applicable |
| J. Early Retirement Incentive | Not applicable |
| K. Gann Limit Calculation | Not applicable |
| L. School Accountability Report Card | Not applicable |
| M. (Reserved) | Not applicable |
| N. (Reserved) | Not applicable |
| O. K-3 Grade Span Adjustment | Not applicable |
| P. (Reserved) | Not applicable |
| Q. Apprenticeship: Related and Supplemental Instruction | Not applicable |
| R. Comprehensive School Safety Plan | Not applicable |
| S. District of Choice | Not applicable |
| School Districts, County Offices of Education, and Charter Schools | |
| T. California Clean Energy Jobs Act | Not applicable |
| U. (Reserved) | Not applicable |
| V. Proper Expenditure of Education Protection Account Funds | Yes |
| W. Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| X. (Reserved) | Not applicable |
| Y. Independent Study-Course Based | Not applicable |
| Z. (Reserved) | Not applicable |
| Charter Schools | |
| AA. Attendance | Yes |
| BB. Mode of Instruction | Yes |
| CC. Nonclassroom-Based Instruction/Independent Study | Not applicable |
| DD. Determination of Funding for Nonclassroom-Based Instruction | Not applicable |
| EE. (Reserved) | Not applicable |
| FF. Charter School Facility Grant Program | Not applicable |

Maginnis Knechtel & McIntyre, LLP

Pasadena, California
November 11, 2021

**PUENTE LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Component 1 – Summary of Auditor’s Results:

The audit of Puente Learning Center June 30, 2021 financial statements resulted in an unmodified opinion.

The audit for year ended June 30, 2021 disclosed no instances of reportable conditions in internal control and noncompliance which are material to the financial statements.

Major Program:

Not applicable – not a Uniform Guidance Audit.

Dollar threshold used to distinguish between Type A and B programs:

Not applicable – not a Uniform Guidance Audit.

Low-risk auditee under Section 200 of the Uniform Guidance:

Not applicable – not a Uniform Guidance Audit.

Questioned Costs:

None.

Component 2 – Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards:

None.

Component 3 – Findings and Questioned Costs Relating to Federal Awards:

Not applicable – not a Uniform Guidance Audit.

Component 4 – Status of Prior Year Audit Findings:

See prior year Finding 2020-01 update in the Status of Prior Year Audit Findings section.

**PUENTE LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Status of Prior Year Audit Findings

FINDING 2020-01: CDNFS Form 8501 was not completed correctly for certain sections.

1. Program information: CDE State Preschool Contract CSPP9703 (no federal component).
2. Criteria:
 - Section V.D of the Contract *Funding Terms and Conditions* (FT&C) states contractors may claim administrative costs and shall not exceed fifteen percent (15%) of the net reimbursable program costs or actual administrative costs, whichever is less.
 - CDE Form CDNFS 8501 and AUD 8501 instructions:
 - o Section 3 – Revenue, Unrestricted Income, report income that a donor did not restrict, that was used to pay for reimbursable expenses.
 - o Section 5 – Supplemental Revenue, report unrestricted income used to pay for supplemental expenses.
 - o Section 6 – Supplemental Expenses, report any disallowed program expenditures.
 - CDE COVID-19 Emergency Closure Approval letter, dated September 15, 2020, approved the contractor to include 408 days of attendance credit for March in the cumulative prior period of the CDNFS 4th quarter report form.
 - CDE Management Bulletin (MB) 20-11: For contractors that physically closed, partially physically closed, or where attendance was substantially affected mid-March, the CDNFS report should include all days of enrollment and days of operation as if the contractor remained physically open through the end March.
3. Condition:
 - On form CDNFS 8501 Section 4 Reimbursable Expenses, the contractor included \$55,617 in excess of the 15% allowable total administrative costs per FT&C terms. These excess administrative costs should be reported under Section 6 Supplemental Expenses.
 - A journal entry of \$5,273 was incorrectly recorded to salaries expenses (\$3,375 in certificated salaries and \$1,898 in classified salaries).
 - Unrestricted contributions/income used to pay reimbursable expenses of \$47,725 was not included in Section 3 of form CDNFS 8501. Unrestricted contributions/income of \$45,617 used to cover supplemental expenses was not included in Section 6 of the form.
 - Due to COVID-19 emergency closure, the contractor applied for and was approved credits for days of operation and days of attendance for the closure period. Among the approved credits, 408 days of attendance credit was approved for March 2020 but not included on the revised form CDNFS 8501 which resulted in an under-claimed earnings from CDE of \$7,693.
 - Days of operation on form CDNFS 8501 was missing 12 days for the days closed in March 2020 due to COVID-19 which should be included per CDE MB 20-11.
4. Questioned Costs: \$55,617 of program expenses in excess of the administrative costs ceiling should be reported as supplemental expenses not reimbursable expenses on the form CDNFS 8501. \$5,273 was incorrectly claimed in salaries expenses. These audit adjustments did not result in questioned costs because those costs were funded through the contractor's non-state funds from contributions and donations.

**PUENTE LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Status of Prior Year Audit Findings, continued

FINDING 2020-01: CDNFS Form 8501 was not completed correctly for certain sections, continued.

5. Effect and Context: Under-claimed earnings from CDE for \$7,693.
6. Cause: This is the contractor's first year of filing form CDNFS 8501 during a pandemic. There was a lack of experience and training on completing the form. The contractor was not familiar with some of the *Funding Terms and Conditions* requirements.
7. Recommendation: Obtain training on reporting requirements and on completing the form 8501. Management should be familiar with applicable requirements outlined in *Funding Terms and Conditions* as well as instructions for form 8501.
8. Views of Responsible Officials and Planned Corrective Actions: Management is in agreement with the finding and have planned the following corrective actions to be implemented in FY20-21: 1) Validate that controls are present and functioning throughout the year. 2) Conduct testing of Form 8501 throughout the year, leaving management more time to address and remediate any identified issues. 3) Provide sufficient training to the finance and operations departments. 4) Incorporate the 8501 process into Accounting Policies and Procedures. 5) Establish an effective internal audit function to identify process improvements and strategic opportunities throughout the year. 6) Consult a third-party well-versed in the process of completing the 8501 Form.
9. **Status of Corrective Action:** This finding has been addressed by management and resolved.